July 7, 2003

MEMORANDUM FOR COMMISSIONER EVERSON

FROM: Gordon C. Milbourn III
                      Assistant Inspector General for Audit (Small Business and
                      Corporate Programs)

SUBJECT: Office of Audit Comments Concerning Management's Response
                      to the Audit Report, *End User Equipment and Services
                      Enterprise Service Desk Efficiency and Effectiveness Can Be
                      Improved* (Audit # 200220007)

This memorandum presents our concerns with the Internal Revenue Service's (IRS) management response to the subject audit report. The response to the report was received after the final report was released.

We are concerned that the IRS plans to take less than complete action in response to one of the recommendations in our report. The data from our report, management's response, and the Office of Audit comment follow.

Recommendation for Which the IRS Plans Less than Complete Corrective Action

<u>**Recommendation Number 3:**</u> We recommended that the Acting Deputy Commissioner for Modernization & Chief Information Officer ensure that the self-service desk tools are available to end users and require the use of these tools. In addition, we reported that our recommendation would provide potential measurable benefits on tax administration of approximately $23.6 million in inefficient use of resources over a 5-year period.

<u>**Management's Response:**</u> Management agreed to ensure that self-service tools for password management and knowledge management are deployed by October 2003. However, customer (end user) use of the self-service tools will not be required since not all customers can use web-based tools. In addition, management disagrees with our estimated potential cost savings of $23.6 million over 5 years. Management estimates potential cost avoidance of $9.9 million over the same period.

<u>**Office of Audit Comment:**</u> The actions planned by the IRS will not result in the most efficient and effective use of resources. The Office of Management and Budget Circular A-130, *Management of Federal Information Resources*, states that agencies should

seek opportunities to improve the effectiveness and efficiency of Federal Government programs through work process redesign and the judicious application of information technology. One of the Office of Modernization, Information Technology and Security (MITS) Services' goals for Fiscal Year (FY) 2003 is to implement a self-service password management solution that will enable customers to reset or change their passwords across IRS corporate systems, databases, directories, and applications.

We understand that self-service password management across the IRS corporate systems is a MITS Services goal and that currently some systems users may not be able to use all of the web-based self-service tools. However, systems users that do have access to the web-based self-service tools (e.g., password reset) should be required to use them. In addition, end users that do not have access to the web-based self-service tools may be able to access comparable tools using the planned telephone access option. Also, the IRS should be working towards the goal that customers will be able to reset or change their passwords across IRS corporate systems. Therefore, as more systems users are able to access the self-service tools, they, too, should be required to use them.

The IRS recommends that our potential measurable benefits on tax administration of approximately $23.6 million in inefficient use of resources over a 5-year period be reduced to $9.9 million. The reduced savings in the IRS' computation is obtained by applying an industry adoption rate[1] for self-service tools. However, our report stated the total amount of the inefficiency of the Enterprise Service Desk's (ESD) processing of password reset requests. Applying an adoption rate to the number of calls that are potentially resolved by the self-service tools does not change the total amount of the inefficiency. Applying the adoption rate shows the inefficiency being reduced as the savings migrate from potential to actual. Since we are reporting inefficiencies in the ESD operations based on the enterprise-wide self-service password reset functionality not being implemented, we believe that our estimate for the inefficient use of resources is accurate.

While we still believe our recommendation is worthwhile, we do not intend to elevate our disagreement concerning this matter to the Department of the Treasury for resolution. Consequently, no further action on your part is required.

Copies of this memorandum are also being sent to the IRS managers who received a copy of the final report. If you have any questions, please contact me at (202) 622-6510, or your staff may contact Margaret E. Begg, Acting Assistant Inspector General for Audit (Information Systems Programs), at (202) 622-5959.

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[1] The use of self-service tools by end users increases from 20 percent to 70 percent over a 5-year period.

cc: Deputy Commissioner for Operations Support   N:DC
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Chief, Information Technology Services M:I
Director, End User Equipment and Services M:I:EU
Director, Portfolio Management M:R:PM
Chief Counsel CC
National Taxpayer Advocate TA
Director, Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O
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